

SECURIT



MISSION

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**ANNUAL AUDITED REPORT
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**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING January 1, 2002 AND ENDING December 31, 2002
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: cfid Investments, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

608 East Boulevard Street

(No. and Street)

Kokomo

(City)

IN

(State)

46904-2244

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Brent Owens(765) 453-9600

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Grimes, Randy E.d/b/a Randy Grimes, CPA, LLC

(Name - if individual, state last, first, middle name)

1821 Teasdale Lane

(Address)

Kokomo

(City)

IN

(State)

46902-4570

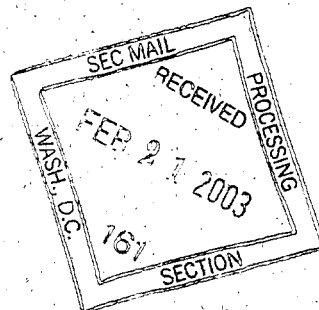
(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED**MAR 06 2003****FOR OFFICIAL USE ONLY****THOMSON
FINANCIAL**

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)



cfid Investments, Inc.

**Financial Statements
For the Years Ended
December 31, 2002 and 2001**

Randy Grimes, CPA, LLC
1821 Teasdale Lane
Kokomo, Indiana 46902-4570
(765) 455-8517

cfid Investments, Inc.

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Randy Grimes, CPA, LLC

1821 Teasdale Lane
Kokomo, Indiana 46902-4570
(765) 455-8517

Independent Auditor's Report


Board of Directors
cfd Investments, Inc.
Kokomo, Indiana

I have audited the accompanying balance sheets of cfd Investments, Inc. as of December 31, 2002 and 2001, and the related statements of operations, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of cfd Investments, Inc. at December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

My audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information on pages 11-15 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 15c3-3 of the Securities and Exchange Commission. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in my opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Randy Grimes, CPA
Certified Public Accountant
February 13, 2003

cfid Investments, Inc.

**Balance Sheets
December 31,**

ASSETS

	2002	2001
Current Assets:		
Cash and cash equivalents (Note 2)	\$ 66,199	\$ 57,410
Investments (Note 1)	52,867	56,353
Commissions and fees receivable	53,466	54,434
Prepaid expenses and deposits	7,025	4,107
Total Current Assets	<u>179,557</u>	<u>172,304</u>
 Property and Equipment (Note 4):		
Computers and software	104,410	88,706
Furniture and equipment	20,180	20,180
Total property and equipment	124,590	108,886
Less: accumulated depreciation	<u><80,446></u>	<u><64,866></u>
Net property and equipment	<u>44,144</u>	<u>44,020</u>
 Other Assets:		
Deferred tax asset (Note 3)	<u>39,227</u>	<u>44,773</u>
Total Other Assets	<u>39,227</u>	<u>44,773</u>
 Total Assets	<u>\$ 262,928</u>	<u>\$ 261,097</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	2002	2001
Current Liabilities:		
Accounts payable	\$ 3,623	\$ 21,698
Commissions payable	129	2,139
Short-term notes payable	10,000	10,000
Current portion of long-term debt	1,263	0
Total Current Liabilities	<u>15,015</u>	<u>33,837</u>
Long-Term Liabilities:		
Notes payable	3,395	0
Less: current portion (above)	<u><1,263></u>	<u>0</u>
Total Long-Term Liabilities	<u>2,132</u>	<u>0</u>
Total Liabilities	<u>17,147</u>	<u>33,837</u>
Shareholders' Equity:		
Common stock, no par value, 500 shares authorized, 379 shares issued and outstanding	376,625	376,625
Additional paid-in capital	15,500	15,500
Retained earnings <deficit>	<u><146,344></u>	<u><164,865></u>
Total Shareholders' Equity	<u>245,781</u>	<u>227,260</u>
 Total Liabilities & Shareholders' Equity	 <u>\$ 262,928</u>	 <u>\$ 261,097</u>

The accompanying notes are an integral part of these financial statements.

cfid Investments, Inc.

**Statement of Changes in Stockholders' Equity
For the Years Ended
December 31, 2002 and 2001**

	Common Stock	Preferred Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Total Stock- holders' Equity
Balance, January 1, 2001	\$ 376,625	\$ -0-	\$ 15,500	\$ <74,669>	\$ 317,456
Capital increase	-0-				-0-
Rounding				-0-	-0-
Net income <loss> for the year				<90,196>	<90,196>
Balance December 31, 2001	376,625	-0-	15,500	<164,865>	227,260
Capital increase	-0-				-0-
Rounding				1	1
Net income <loss> for the year				18,520	18,520
Balance, December 31, 2002	<u>\$ 376,625</u>	<u>\$ -0-</u>	<u>\$ 15,500</u>	<u>\$ <146,344></u>	<u>\$ 245,781</u>

The accompanying notes are an integral part of these financial statements.

cfd Investments, Inc.

**Statements of Operations
For the Years Ended December 31,**

	2002	2001
Revenues:		
Commission revenues	\$ 3,298,596	\$ 2,418,031
Total revenues	<u>3,298,596</u>	<u>2,418,031</u>
Operating Expenses:		
Advertising and promotion	65,269	75,538
Clearing costs and fees	153,205	125,558
Commissions expense	2,588,188	1,714,815
Administrative fees	3,952	20,442
Education, seminars and meetings	12,124	4,701
Employee leasing/salaries	302,941	282,092
Telephone expense	3,668	16,706
Fidelity and surety bonds	375	375
Registrations, licenses and assessments	47,404	39,947
Professional services	18,254	93,621
Dues and subscriptions	26,779	27,280
Bad debts expense	1,160	0
Travel and entertainment	15,747	20,205
Office and computer expense	84,275	129,790
Rent and utilities	30,393	30,297
Repairs and maintenance	5,967	4,936
Interest expense	357	5
Depreciation and amortization	15,581	12,147
Miscellaneous expenses	2,739	4,593
Total expenses	<u>3,378,378</u>	<u>2,603,048</u>
Operating profit <loss>	<u><79,782></u>	<u><185,017></u>
Other Income:		
Interest and dividend income	1,391	4,141
Unrealized gain or loss	<12,814>	<12,661>
Seminars, fees and miscellaneous	115,271	78,316
Total other income	<u>103,848</u>	<u>69,796</u>
Net income <loss> before income taxes	<u>24,066</u>	<u><115,221></u>
Income taxes:		
State corporate income taxes	2,007	<8,972>
Federal corporate income taxes	3,539	<16,053>
Total income taxes	<u>5,546</u>	<u><25,025></u>
Net income <loss> after taxes	<u>\$ 18,520</u>	<u>\$ <90,196></u>

The accompanying notes are an integral part of these financial statements.

cfi Investments, Inc.

**Statements of Cash Flows
Increase (Decrease) in Cash and Cash Equivalents
For the Years Ended December 31,**

	2002	2001
Cash Flows from Operating Activities:		
Cash received from customers	\$ 3,299,333	\$ 2,384,435
Cash paid to suppliers and employees	<3,357,491>	<2,553,602>
Investment income received	1,391	4,141
Interest paid	<322>	<5>
Miscellaneous receipts	87,515	64,171
Net Cash Provided <Used> by Operations	<u>30,426</u>	<u><100,860></u>
Cash Flows from investing activities:		
Net Proceeds From <Used For>:		
Acquisition of fixed assets	<15,703>	<16,657>
Net acquisition of investments	<9,329>	3,953
Net cash provided <used> in investing activities	<u><25,032></u>	<u><12,704></u>
Cash Flows from financing activities:		
Net Proceeds From <Used For>:		
Issuance of short-term debt	0	10,000
Issuance of long-term debt	4,050	0
Repayments of loans and advances	0	53,266
Repayment of long-term debt	<655>	0
Net cash provided <used> in financing activities	<u>3,395</u>	<u>63,266</u>
Net increase <decrease> in cash and cash equivalents	8,789	<50,298>
Cash and cash equivalents, beginning of period	<u>57,410</u>	<u>107,708</u>
Cash and cash equivalents, end of period	<u>\$ 66,199</u>	<u>\$ 57,410</u>

	2002	2001
Cash Flows from Operating Activities:		
Net income <loss>	\$ 18,520	\$ <90,196>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,581	12,147
Unrealized gain <loss>	12,814	12,661
Bad debts expense	1,160	0
Changes in Operating Assets and Liabilities:		
<Increase> decrease in commissions receivable	<191>	<15,890>
<Increase> decrease in prepaid expenses	<2,919>	517
<Increase> decrease in deferred tax asset	5,546	<25,025>
Increase <decrease> in accounts payable	<18,075>	12,637
Increase <decrease> in commissions payable	<2,010>	<7,711>
Total Adjustments	11,906	<10,664>
Net Cash Provided <Used> by Operations	\$ 30,426	\$ <100,860>

The accompanying notes are an integral part of these financial statements.

cfid Investments, Inc.

**Notes to Financial Statements
December 31, 2002 and 2001**

Note 1- -Significant Accounting Policies:

cfid Investments, Inc., (the "Company") was incorporated in 1986 under the laws of the state of Indiana. However, no stock was issued, nor were any assets acquired until September, 1989. The Company is engaged in the security brokerage business. The Company was approved by its national regulatory agency, the National Association of Securities Dealers (NASD), effective January 16, 1990.

The books and records are maintained on the accrual basis of accounting, which is in accordance with generally accepted accounting principles. Under this method, income is recognized when earned and expenses when incurred. Commission income and expense are considered earned on the trade date of the transaction, with the exception of mutual funds made by customers directly, whereby income is recognized when commissions are received. Significant policies are described below:

Organization costs:

Organization costs of \$ 4,500 were incurred in 1989 for the start-up of the business. These costs have been amortized over 60 months, becoming fully amortized in 1994.

Depreciation:

For book purposes, assets are depreciated over the estimated useful lives, using the straight-line method of depreciation. For tax purposes, assets are recovered under the provisions of the Modified Accelerated Cost Recovery System (MACRS), as provided by the Tax Reform Act of 1986. The difference in these methods is the principle difference between book income as computed under generally accepted accounting principles, and taxable income. For 2002 and 2001, book depreciation and amortization totaled \$ 15,581 and \$ 10,267, respectively, while tax depreciation was \$ 19,919 and \$ 15,377.

Investments:

In accordance with industry standards, investments, which represent a mutual fund and securities, are reflected at market value. This value reflects an decrease over historical cost of \$ 34,861, of which the current year portion of \$ 12,814 is reflected as an unrealized gain <loss> on the statement of operations.

Note 2- -Statements of Cash Flows:

The company considers all short-term, highly liquid investments, which are readily convertible to known amounts of cash, and whose original maturities are three months or less, to be cash equivalents.

cfid Investments, Inc.
Notes to Financial Statements
December 31, 2002 and 2001
(Continued)

Note 3- -Income Taxes:

Due to net operating losses incurred in 1989-1991, 1994-1998 and 2000-2001, there are no income tax liabilities for 2001 or 2002 state or federal income taxes. For 2002 tax purposes, the net operating loss carryforwards, totaling \$ 143,005, may be carried forward fifteen or or twenty years from the year incurred, or until used, dependant on its year of origin. For 2002, differences in book and tax depreciation result in a favorable timing difference of \$ 4,338, and a favorable timing difference of \$ 3,230 for 2001. Under present rules, the the current and cumulative effect of timing differences between financial reporting income and taxable income are recognized in deferred tax liability and deferred tax asset accounts.

Note 4- -Long-Term Debt:

The company acquired and financed a network server with Dell Corporation. Terms call for 36 monthly payments of \$139.54, and interest computed at 8.99%. Amounts payable for 2003 to 2005 are \$ 1,263, \$ 1,459 and \$ 673, respectively.

Note 5- -Fixed Assets:

Fixed assets are recorded at historical cost. Depreciation is recorded using the straight-line method based upon the estimated useful lives of the assets (Note 1). Estimated useful lives of fixed assets, by class, are as follows:

Computers and software	5 years
Furniture and equipment	5-7 years

Changes by classification of fixed assets are summarized as follows:

Asset classification:	2001 Balance	Additions	Disposals	2002 Balance
Computers and software	\$ 88,706	\$ 15,703	\$ 0	\$ 104,410
Furniture and equipment	20,180	0	0	20,180
Totals	<u>\$ 108,886</u>	<u>\$ 15,703</u>	<u>\$ 0</u>	<u>\$ 124,590</u>

Changes by classification in the related accumulated depreciation are as follows:

Computers and software	\$ 54,109	\$ 12,739	\$ 0	\$ 66,847
Furniture and equipment	10,757	2,843	0	13,599
Totals	<u>\$ 64,866</u>	<u>\$ 15,582</u>	<u>\$ 0</u>	<u>\$ 80,446</u>

cfid Investments, Inc.
Notes to Financial Statements
December 31, 2002 and 2001
(Continued)

Note 6- -Common Stock:

Effective January 1, 1995, all 108 outstanding shares of preferred stock were exchanged for 27 shares of common stock in a nine-for-two exchange. The shares of preferred stock were surrendered by the shareholders December 31, 1994, with shares of common stock being issued effective January 1, 1995. In addition, three shares of common stock were issued in 1996, for total consideration of \$ 9,375. In 1997, 83 shares were issued for total consideration of \$ 237,500.

Note 7- -Net Capital Requirements:

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital, and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. The rule of "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1.

The Company had net capital of \$ 127,762 and \$ 100,161 at December 31, 2002 and 2001, respectively. These amounts were in excess of its required net capital of \$ 50,000 and \$ 50,000 by \$ 77,762 and \$ 50,161, respectively. The Company's net capital ratio was 13.43 percent and 33.78 percent for 2002 and 2001, respectively. There are no loans which are subordinated at December 31, 2002 or 2001.

For purposes of the computation of net capital, the following is the schedule of non-allowable assets:

	2002	2001
Non-marketable securities	\$ 18,900	\$ 18,900
Accounts receivable	4,098	9,008
Commissions receivable	700	625
Prepaid expenses	7,025	4,107
Deferred tax asset	39,227	44,773
Fixed assets (net)	44,144	44,020
Totals	<u>\$ 114,094</u>	<u>\$ 121,433</u>

The Company's computation of net capital under Rule 15c3-1 is presented on the following page.

cfid Investments, Inc.

**Computation of Net Capital
December 31,**

	2002	2001
Total assets	\$ 262,928	\$ 261,097
Total liabilities	<u>17,147</u>	<u>33,837</u>
Net worth	<u>245,781</u>	<u>227,260</u>
Add: subordinated loans	<u>0</u>	<u>0</u>
Adjusted net worth	245,781	227,260
Less: non-allowable assets	<u>114,094</u>	<u>121,433</u>
Current capital	131,687	105,827
Less: haircuts	<u>3,925</u>	<u>5,666</u>
Net capital	<u>127,762</u>	<u>100,161</u>
Required net capital	<u>50,000</u>	<u>50,000</u>
Excess net capital	<u>\$ 77,762</u>	<u>\$ 50,161</u>
Aggregate indebtedness	<u>\$ 17,147</u>	<u>\$ 33,837</u>
Aggregate indebtedness to net capital	<u>13.43</u>	<u>33.78</u>

The accompanying notes are an integral part of these financial statements.

cfid Investments, Inc.

**Computation for Determination of Reserve Requirements
And Information for Possession or Control
Requirements Pursuant to Rule 15c3-3
December 31, 2002 and 2001**

Exemption under Section (k)(2)(ii) is claimed:

All customer transactions are cleared through another broker/dealer on a fully disclosed basis. The Company holds no customer funds or securities. Any such funds or securities are promptly transmitted to the clearing broker/dealer. The Company is therefore exempt from the possession or control requirements under Securities and Exchange Commission Rule 15c3-3.

**Reconciliation of Net Capital Computation
and Rule 15c3-3 Reserve Requirement and
Unaudited Part II or Part IIA**

Net capital per unaudited Part IIA		\$ 129,591		\$ 121,589
Increase <decrease> in cash and equivalents		1,654		-0-
Increase <decrease> in commissions receivable	130		-0-	
Non-allowable portion	<130>	-0-	-0-	-0-
Increase <decrease> in prepaid expense	<2,067>		<5,264>	
Non-allowable portion	2,067	-0-	5,264	-0-
<Increase> decrease in depreciation	<5,314>		<1,880>	
Non-allowable portion	5,314	-0-	1,880	-0-
Increase <decrease> in deferred tax assets	<5,546>		25,025	
Non-allowable portion	5,546	-0-	<25,025>	-0-
<Increase> decrease in accounts payable		<3,623>		<21,698>
<Increase> decrease in commissions payable		462		-0-
<Increase> decrease in notes payable		<322>		-0-
Net capital per audit		<u>\$ 127,762</u>		<u>\$ 100,161</u>

Randy Grimes, CPA, LLC

Certified Public Accountant
1821 Teasdale Lane
Kokomo, Indiana 46902-4570
(765) 455-8517

Independent Auditor's Report on Internal Accounting Control Required by SEC Rule 17a-5

Board of Directors
cfd Investments, Inc.
Kokomo, Indiana

In planning and performing my audits of the financial statements of cfd Investments, Inc. for the years ended December 31, 2002 and 2001, I considered its internal control structure, including procedures for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, I have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by cfd Investments, Inc. that I considered relevant to the objectives stated in Rule 17a-5(g), in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c3-3(e). I also made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. I did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization.

Board of Directors
February 13, 2003
Page Two


and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in an internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject the the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I noted no matters involving the internal control structure, including procedures for safeguarding securities, that I considered to be material weaknesses as defined above.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purpose in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding, and on my study, I believe that the Company's practices and procedures were adequate at December 31, 2002 and 2001, to meet the Commission's objectives.

This report is intended solely for the information and use of cfd Investments, Inc. management, the Securities and Exchange Commission, the New York Stock Exchange and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.


Randy Grimes, CPA
Certified Public Accountant
February 13, 2003